

HOUSE BILL REPORT

E2SHB 2574

As Passed House:
February 13, 2006

Title: An act relating to hospital charity care and debt collection policies.

Brief Description: Regarding hospital charity care and debt collection.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Cody, Morrell, Green and Upthegrove).

Brief History:

Committee Activity:

Health Care: 1/20/06, 1/31/06 [DPS];

Appropriations: 2/3/06, 2/4/06 [DP2S(w/o sub HC)].

Floor Activity:

Passed House: 2/13/06, 60-38.

Brief Summary of Engrossed Second Substitute Bill

- Increases the thresholds for qualifying for sliding fee schedule discounts to 250 percent of the federal poverty guidelines.
- Requires hospitals to provide notice to patients of their charity care policies.

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Cody, Chair; Campbell, Vice Chair; Morrell, Vice Chair; Appleton, Clibborn, Green, Lantz, Moeller and Schual-Berke.

Minority Report: Do not pass. Signed by 5 members: Representatives Hinkle, Ranking Minority Member; Curtis, Assistant Ranking Minority Member; Alexander, Bailey and Condotta.

Staff: Chris Blake (786-7392).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Health Care. Signed by 17 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Cody, Conway,

Darneille, Dunshee, Grant, Haigh, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Schual-Berke and P. Sullivan.

Minority Report: Do not pass. Signed by 13 members: Representatives Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Chandler, Clements, Hinkle, Pearson, Priest, Talcott and Walsh.

Staff: Amy Hanson (786-7118).

Background:

Hospitals are required to develop and maintain charity care policies. These policies must allow individuals to qualify for either charity sponsorship of the full amount of their hospital charges or discounts from charges according to a sliding fee schedule.

In order to qualify for full charity sponsorship, the individual who is responsible for the payment of hospital charges must have a family income that is 100 percent of the federal poverty standard or less. In order to qualify for a sliding fee schedule discount, the individual who is responsible for the payment must have a family income that is between 101 and 200 percent of the federal poverty standard. Hospitals may apply the sliding fee schedule discount to individuals whose income exceeds 200 percent of the federal poverty standard.

Summary of Engrossed Second Substitute Bill:

The threshold to qualify for a sliding fee schedule discount is increased to include those with no third party coverage and a family income between 100 to 250 percent of federal poverty guidelines. The discounts in the sliding fee schedules must be based upon the larger of 130 percent of hospital costs or the state average cost paid by private payers. Those with no third party coverage and a family income from 251 to 400 percent of federal poverty guidelines cannot be charged more than the larger of 130 percent of hospital costs or the state average cost paid by private payers.

Each hospital must provide notice to its patients of its charity care policies. At a minimum, notice regarding the opportunity to apply for charity care must be posted in a place that is easily accessible and visible to patients, on the hospital's web site and included in the bill that is sent to the patient. The notice must use clear language that a person with limited education could understand. The notice must be in English and in the five most common languages other than English in Washington that are spoken by at least 5 percent of the residents in the county where the hospital is located. The Department of Health (Department) shall develop model language and type and style standards for hospitals to use to satisfy the notice requirements to be included in the patient's bill.

The governing board of a hospital must be notified of the debt collection practices of any entity that it contracts with to collect or purchase the hospital's accounts receivable and it must approve those practices and review annual reports of debt collection actions. The entities must provide information about contacts with patients who have hospital debts,

policies allowing debtors to make installment payments, and the circumstances in which civil actions are filed against debtors.

The Department of Financial Institutions is directed to establish a work group to develop standards for appropriate, predictable, and fair repayment and debt collection practices for hospitals to apply to charity care, sliding fee schedule and maximum charge patients. The work group shall consist of representatives of the Department of Licensing, the Department of Health, hospitals, debt collection agencies, consumers and patients and other interested parties. The report is due by November 15, 2006.

The Department's annual charity care report must provide information on hospital charges for the most common inpatient diagnosis related groups, the relationship between hospital costs and charges, and details on hospital charity care policies.

Hospitals may not maintain admission practices that result in a significant reduction of patients without third party coverage and who are under 400 percent of federal poverty guidelines or who are unable to pay.

The general authority of local government entities to use debt collection agencies does not apply to public hospital districts acting pursuant to their charity care responsibilities.

Appropriation: None.

Fiscal Note: Available on original bill.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (Health Care) Hospital debt is forcing many Washington citizens to go into bankruptcy. Hospital care is not affordable for people with lower incomes. Hospitals are not notifying patients about charity care policies. Hospitals are not providing patients with accurate estimates of costs. Hospitals are charging unreasonably high interest rates to uninsured patients. Patients have been harassed by collection agencies for hospital debt. Notice of charity care should be in multiple languages for people who are not proficient in English. There should be a statutory model for a notice form.

(With concerns) Hospitals alone cannot be asked to assume the burden of making sure that the health care system works. Washington already has strong charity care laws. Costs of charity care for hospitals is currently rising. Many hospitals have expanded their charity care policies beyond current minimums. This bill may have unintended financial consequences on hospitals. Taking away reimbursement from hospitals for charity care will force hospitals to shift the costs elsewhere.

Testimony For: (Appropriations) (With concerns) The Washington State Hospital Association would like to see the charity care levels that exist in current law remain at those levels. We recognize the need to get our hands around the charges assessed to those who do not have insurance. The other issue we are looking at is the provision in the bill for hospitals

to offer installment plans. We think that there is an appropriate level at which this provision does not become too administratively burdensome to hospitals.

Testimony Against: (Health Care) None.

Testimony Against: (Appropriations) None.

Persons Testifying: (Health Care) (In support) Joshua Welter, Doris Durand and Argentina Daley, Washington Citizen Action; Janet Varon, Northwest Health Law Advocates; Jim Stovall; William Dankiw; and Jocelyn Pape.

(With concerns) Claudia Sanders and Lisa Thatcher, Washington State Hospital Association.

Persons Testifying: (Appropriations) (With concerns) Lisa Thatcher, Washington State Hospital Association.

Persons Signed In To Testify But Not Testifying: (Health Care) None.

Persons Signed In To Testify But Not Testifying: (Appropriations) None.